HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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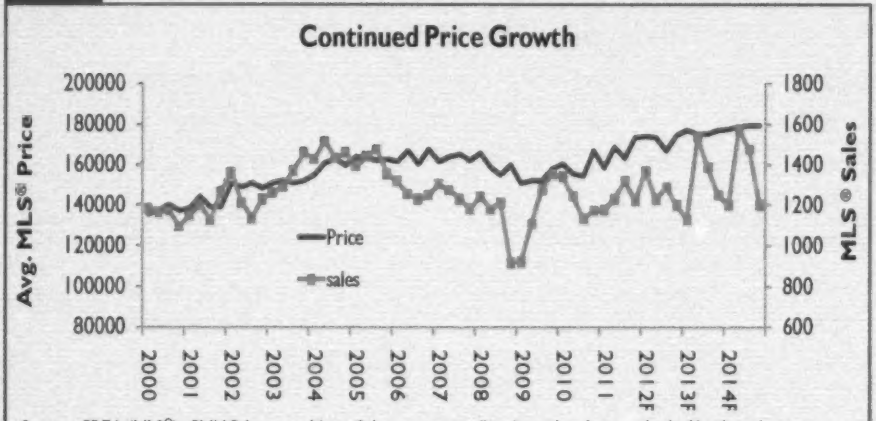
Market at a Glance

- Existing homes sales will increase in 2013 – bucking the declining trend across the province.
- The average MLS® price will be up more than three per cent in 2013, due largely to a predominance of repeat buyer activity.
- Housing starts will dip in 2013 due to an ample supply of homes in the resale market, but rise moderately in 2014.

Figure 1



Source: CREA (MLS®), CMHC forecast. Note: Sales are seasonally adjusted and are multiplied by 4 to show an annual rate. Prices are seasonally adjusted. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

The forecasts included in this document are based on information available as of April 26, 2013.

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Resale Homes Market

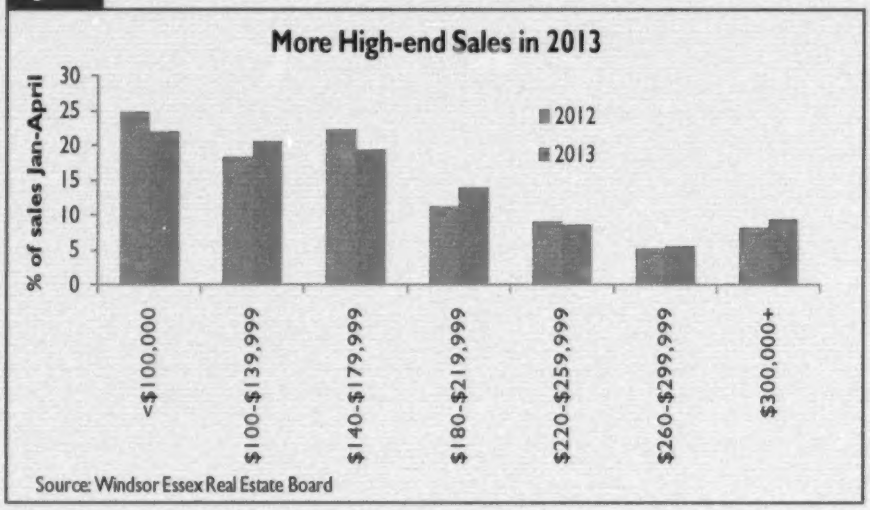
Repeat buyers drive market in 2013

Existing home sales activity will trend slightly lower in the second half of 2013 in Windsor-Essex, in comparison to the exceptionally strong spring market. Population growth, driven by positive net migration and employment gains, will continue to support housing demand. Overall, sales of existing homes through the Windsor-Essex Real Estate Board will increase by over two per cent in 2013. Continued economic growth will support ongoing moderate gains in 2014.

Average resale prices continue to trend higher from the low point in the first quarter of 2009. One of the main factors propelling Windsor's housing market forward is the comparable low cost of home ownership. For both existing residents and those considering relocating.

Windsor remains one of the most affordable of any major metropolitan market in Canada. First-time buyers were less active during the first four months of 2013. Sales of homes valued under $100,000 fell to one-fifth of total sales, down from one quarter for the same period in 2012. The balance was made up by move-up buyers purchasing homes in the $180,000-219,999 and $300,000 or more price ranges. With additional sales in higher price ranges, the annual average price will move up to $178,000 in 2013. As more first-time buyers enter the market in 2014 and purchase homes at the lower end of the spectrum, price increases will moderate.

Figure 2

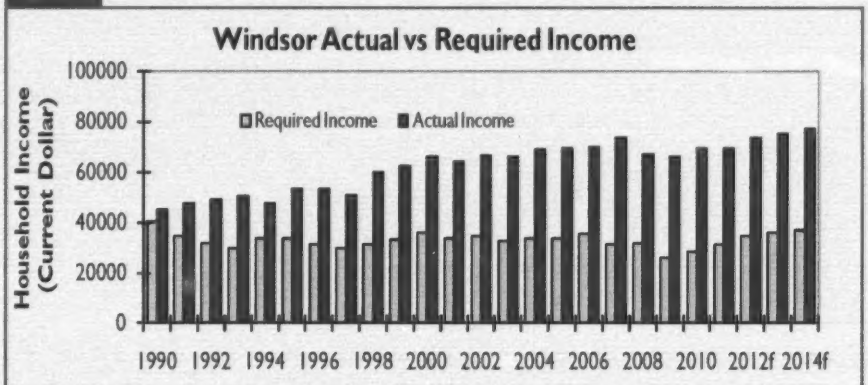


Source: Windsor Essex Real Estate Board

New listings, a measure of supply, have been declining for several years as homeowners refrained from listing their property due to the lack of equity gains. Recent price growth should encourage more homeowners to put their house on the market in order to purchase a home that more closely matches their current needs. Greater choice will also contribute to slower price growth next year.

Many renter households delayed a move to homeownership this spring as increases in incomes did not entirely offset the increase in prices needed to balance off the rising costs of home ownership in the recovering Windsor resale market. Ongoing income growth will allow more first-time buyers to enter the market and temper overall price increases next year.

Figure 3



Sources: CMHC, Statistics Canada, CREA, f= CMHC Forecast. Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio.
Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization

New Home Market

Demand for new homes lags resale recovery

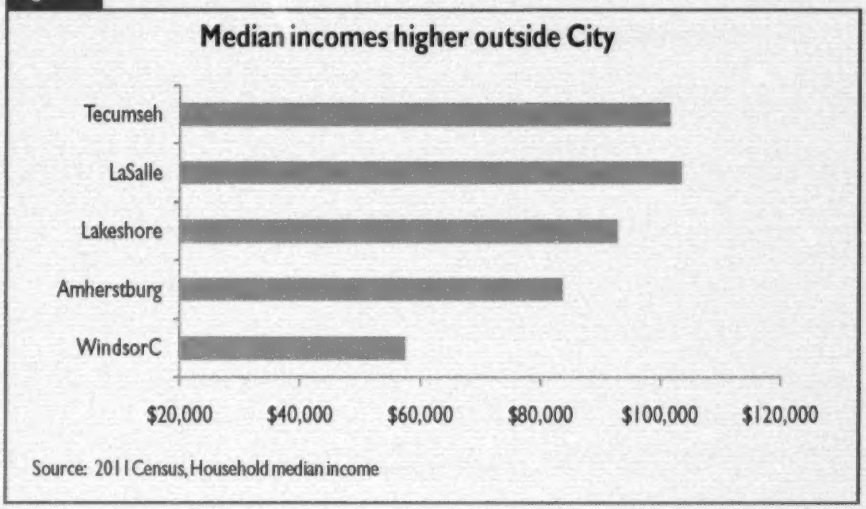
Housing starts will gradually increase in the second half of 2013, but not enough to offset the weak start to the year. Total housing starts will fall before posting a modest recovery in 2014 as spillover from the resale market and local economic recovery translates into demand for new homes.

LaSalle, Lakeshore and Amherstburg continue to take the lion's share of new construction due in part to the greater availability of serviced lots appealing to move-up buyers with families. Recent Census data show the average household size to be greater in these outlying municipalities than in the City. Median incomes are also significantly higher, indicating households are firmly established.

The median price of new homes fell last year as builders responded to a shift in demand for homes priced under $300,000, particularly in the City of Windsor. Price gains will resume in 2013 as pressure from rising input costs such as softwood lumber grows and competition for construction workers from major non- residential construction projects in the area intensifies. Consumers with more disposable income will also be in the market for homes in the upper-end.

Townhome construction will be the bright light as demand continues to grow. Retirees, singles, and those looking for a more maintenance free lifestyle will have several developments to choose from. Apartment construction will be limited by the high, albeit declining, vacancy rate.

Figure 4

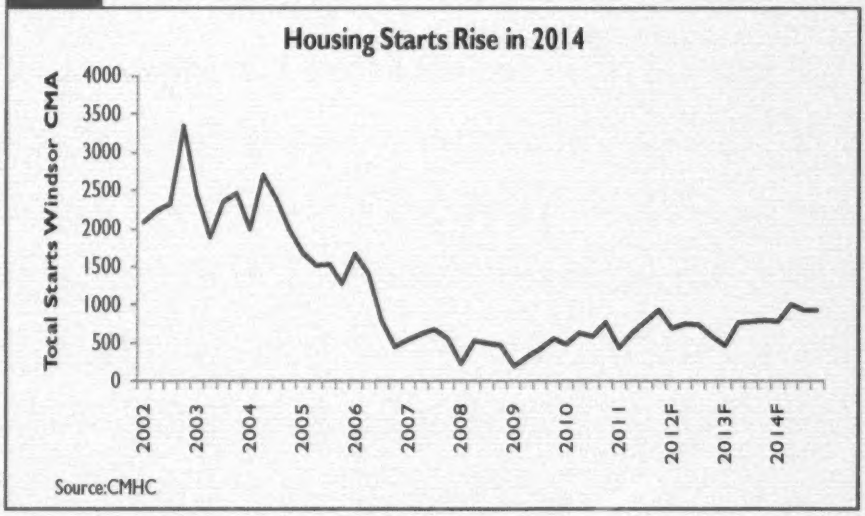


Economy

Employment expansion continues in 2013

Employment in the Windsor CMA is poised to grow in 2013 and 2014, driven by ongoing economic recovery south of the border which will increase demand for locally-produced automotive products. As well, close to $2 billion of infrastructure projects including the Herb Gray Parkway, the Southwest Detention Centre and the Windsor Aquatics Centre have contributed to the improvement in local confidence as confirmed by positive regional outlook surveys and hiring intentions. Anecdotal reports suggest that local firms are turning down work as they are operating at full capacity. Despite Windsor's

Figure 5

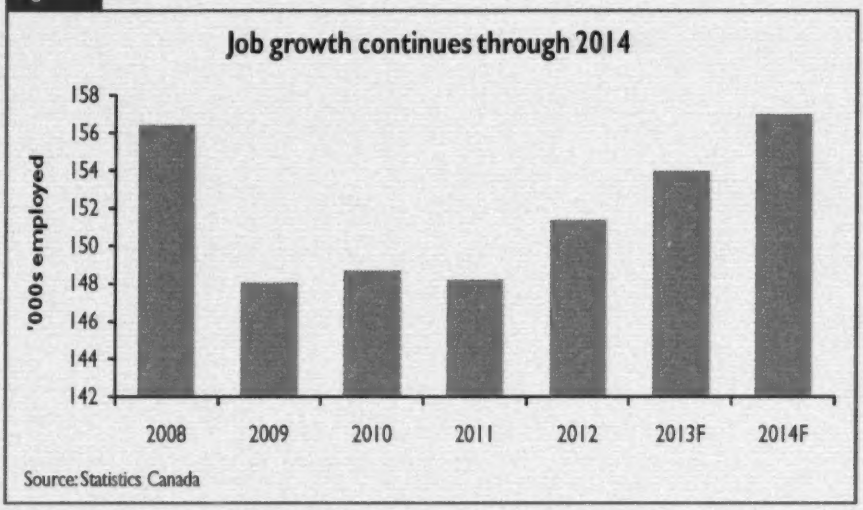


high unemployment rate, there are reports of shortages of skilled trades in the region. Job growth continues however, the swell of people joining or rejoining the labour force keeps the unemployment rate elevated.

In 2012 the number of U.S. visitors through Windsor was up for the first time since 2003. Major events such as the International Children's Games this summer and the International FINA swimming championships at the new aquatic centre which Windsor will be hosting will continue to support employment in the tourism and service sector.

Employment growth was strongest for the 45-64 year age group, surpassing the pre-recession peak. This cohort is a prime repeat homebuyer group. The impact from increased employment has been evident in the home market, yet due to a traditional lag from employment to home purchase the impact will continue to positively affect demand for homes next year. Weak employment in the 25-44 yr group was more a cause of lower population in that category due to natural ageing and outmigration, as the proportion of the number employed within this group grew.

Figure 6



Mortgage Rate Outlook

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Forecast Summary Windsor CMA Spring 2013	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	460	466	536	500	-6.7	575	15.0
Multiples	157	253	181	170	-6.1	200	17.6
Semi-Detached	26	92	68	36	-47.1	60	66.7
Row/Townhouse	89	153	107	126	17.8	120	-4.8
Apartments	42	8	6	8	33.3	15	87.5
Starts - Total	617	719	717	670	-6.6	775	15.7
Average Price ($):							
Single-Detached	326,173	331,494	330,396	320,500	-3.0	326,000	1.7
Median Price ($):							
Single-Detached	300,000	300,000	289,403	305,000	5.4	305,000	0.0
New Housing Price Index (% chg.)	-0.8	-3.1	2.0	1.5	-	2.0	-
Resale Market							
MLS® Sales	4,893	4,946	5,082	5,200	2.3	5,300	1.9
MLS® New Listings	10,058	9,749	9,380	9,500	1.3	9,900	4.2
MLS® Average Price ($)	159,347	166,008	172,047	178,000	3.5	180,000	1.1
Rental Market							
October Vacancy Rate (%)	10.9	8.1	7.3	6.1	-1.2	4.2	-1.9
Two-bedroom Average Rent (October) ($)	752	753	778	795	-	820	-
One-bedroom Average Rent (October) ($)	627	625	647		n/a		n/a
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	148,700	148,200	151,400	154,000	1.7	157,000	1.9
Employment Growth (%)	0.4	-0.3	2.2	1.7	-	1.9	-
Unemployment rate (%)	11.5	9.6	9.8	9.4	-	9.1	-
Net Migration	-311	86	108	400	-	600	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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